



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
BULLITT COUNTY  
SHERIFF'S SETTLEMENT - 2000 TAXES**

**April 27, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**BULLITT COUNTY**  
**SHERIFF'S SETTLEMENT - 2000 TAXES**

**April 27, 2001**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for Bullitt County Sheriff as of April 27, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

Sheriff collected net taxes of \$18,903,538 for the districts for 2000 taxes. Sheriff distributed taxes of \$18,869,109 to the districts for 2000 Taxes. Taxes of \$25,292 are due to the districts from the Sheriff and refunds of \$6,283 are due to the Sheriff from the taxing districts.

**Debt Obligations:**

None.

**Report Comments:**

The Sheriff Did Not Have A County Revenue Bond

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

**Subsequent Event:**

None.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Kenneth Rigdon, Bullitt County Judge/Executive

Honorable Paul Parsley, Bullitt County Sheriff

Members of the Bullitt County Fiscal Court

Independent Auditor's Report

We have audited the Bullitt County Sheriff's Settlement - 2000 Taxes as of April 27, 2001. This tax settlement is the responsibility of the Bullitt County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Bullitt County Sheriff's taxes charged, credited, and paid as of April 27, 2001, in conformity with the basis of accounting described in the preceding paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Kenneth Rigdon, Bullitt County Judge/Executive

Honorable Paul Parsley, Bullitt County Sheriff

Members of the Bullitt County Fiscal Court

Based on the results of our audit, we present the following comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Did Not Have A County Revenue Bond

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
December 13, 2001



BULLITT COUNTY  
PAUL PARSLEY, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES

April 27, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 2,220,729	\$ 2,457,391	\$ 9,416,267	\$ 3,162,857
Tangible Personal Property	108,734	113,242	302,742	347,748
Intangible Personal Property				120,470
Fire Protection	552			
Taxes Increased Through Erroneous Assessments	435	307	1,843	4,038
Franchise Corporation	190,333	189,797	573,916	
Distilled Spirits Taxes	214,034	131,044	593,772	
Additional Billings	1,791	2,135	6,489	3,543
Limestone, Sand, and Mineral Reserves	1,181	1,351	5,008	1,681
Bank Franchises	65,356			
Penalties	15,261	17,000	63,685	22,096
Adjusted to Sheriff's Receipt	(842)	(504)	(269)	(1,793)
Gross Chargeable to Sheriff	<u>\$ 2,817,564</u>	<u>\$ 2,911,763</u>	<u>\$ 10,963,453</u>	<u>\$ 3,660,640</u>
<u>Credits</u>				
Exonerations	\$ 9,834	\$ 11,235	\$ 35,925	\$ 18,417
Discounts	43,069	44,052	168,499	59,023
Delinquents:				
Real Estate	46,177	49,369	195,878	65,759
Tangible Personal Property	1,122	1,276	3,113	2,307
Intangible Personal Property				353
Total Credits	<u>\$ 100,202</u>	<u>\$ 105,932</u>	<u>\$ 403,415</u>	<u>\$ 145,859</u>
Net Tax Yield	\$ 2,717,362	\$ 2,805,831	\$ 10,560,038	\$ 3,514,781
Less: Commissions *	<u>115,775</u>	<u>80,552</u>	<u>348,481</u>	<u>149,666</u>
Net Taxes Due	\$ 2,601,587	\$ 2,725,279	\$ 10,211,557	\$ 3,365,115
Less:				
Taxes Paid	2,600,590	2,697,933	10,208,031	3,362,555
Refunds (Current and Prior Year)	<u>2,003</u>	<u>2,054</u>	<u>8,491</u>	<u>2,856</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ (1,006)</u>	<u>\$ 25,292</u>	<u>\$ (4,965)</u>	<u>\$ (296)</u>

\* and \*\* See Page 4

BULLITT COUNTY  
 PAUL PARSLEY, SHERIFF  
 SHERIFF'S SETTLEMENT - 2000 TAXES  
 April 27, 2001  
 (Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	7,837,328
3.3% on	\$	10,560,038
1% on	\$	1,190,646

\*\* Special Taxing Districts:

Library District	\$	7,846
Health District		3,672
Extension District		3,166
Mt. Washington Fire District		2,006
Zoneton Fire District		1,110
Southeast Bullitt Fire District		5,660
Nichols Fire District		<u>1,832</u>

Due Districts or (Refund Due Sheriff)	\$	<u>25,292</u>
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The accompanying notes are an integral part of the financial statement.

BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT

April 27, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 27, 2001 the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 27, 2001  
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 19, 2000 through April 27, 2001.

Note 4. Interest Income

The Bullitt County Sheriff earned \$46,548 as interest income on 2000 taxes. The Sheriff overpaid interest to the school district in the amount of \$1,087 while the fee account was overpaid in the amount of \$399.

Note 5. Sheriff's 10% Add-On Fee

The Bullitt County Sheriff collected \$92,441 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Fees

The Bullitt County Sheriff collected \$9,050 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The advertising fees will be used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2000 taxes, the Sheriff had \$3,955 in unrefundable duplicate payments and unexplained receipts. These funds should be escrowed and reported to the Treasury Department.

Note 8. Tax Escrow Accounts

A. 1999 Tax Account

The 1999 tax escrow account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. The beginning balance on May 1, 2000 was \$2,890 and receipts from June 1, 2000 through December 31, 2000 were \$1,198 of interest earned. Disbursements were \$1,130 which was interest paid to the Sheriff's 2000 fee account. The ending balance as of December 31, 2000 was \$2,958.

BULLITT COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 27, 2001  
(Continued)

Note 8. Tax Escrow Accounts (Continued)

B. 1998 Tax Account

The 1998 tax escrow account earned \$156 in interest in calendar year 2000. The ending balance as of December 31, 2000 was \$5,172.

C. 1997 Tax Account

The 1997 tax account escrow account earned \$123 in interest in calendar year 2000. The ending balance as of December 31, 2000 was \$3,439.

Note 9. Bond Coverage

KRS 62.156 requires the Sheriff to have a county revenue bond. The county revenue bond is supposed to cover all tax monies in the Sheriff's possession. The Sheriff did not have a county revenue bond for the 2000 tax year to protect the county from potential loss. The Sheriff did obtain a county revenue bond for the 2001 tax year on August 1, 2001.

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COMMENT AND RECOMMENDATION





BULLITT COUNTY  
PAUL PARSLEY, SHERIFF  
COMMENT AND RECOMMENDATION

April 27, 2001

STATE LAWS AND REGULATIONS:

The Sheriff Did Not Have A County Revenue Bond

The Sheriff did not have a county revenue bond for the 2000 tax year to protect the county from potential loss. KRS 62.156 requires the Sheriff to have a county revenue bond. The county revenue bond is supposed to cover all tax monies in the Sheriff's office at any given time. We recommend the Sheriff obtain a county revenue bond and take the appropriate action necessary to ensure that the state, county, and other districts are adequately protected. The Sheriff did obtain a county revenue bond for the 2001 tax year on August 1, 2001.

*Sheriff's Response:*

*Sheriff will follow up with the County Judge/Executive about Revenue Bond in July or August.*

*County Judge/Executive Kenneth J. Rigdon's Response:*

*Fiscal Court shall work with Sheriff and its surety company to ensure that Sheriff's county revenue bond complies with KRS and is sufficient to cover highest amount of the collections on hand.*

PRIOR YEAR:

The Sheriff's 1999 Tax Account Net Payables of \$85,806 Was Excessive

Our audit indicates the following payables (receivable) existed for the 1999 tax account as of April 30.

Taxes Due District (Refund Due Sheriff):

State	\$ 20,322
County	8,347
School District	31,989
Library District	1,976
Health District	1,744
Extension District	662
Zoneton Fire District	8,221
Mt Washington Fire District	11,367
Southeast Bullitt Fire District	(678)
Nichols Fire District	37
Plum Creek Watershed District	23

Interest Due

School District	1,012
Sheriff's Fee Account	784
	<hr/>
Total Net Payables	<u>\$ 85,806</u>

BULLITT COUNTY  
PAUL PARSLEY, SHERIFF  
COMMENT AND RECOMMENDATION  
April 27, 2001  
(Continued)

PRIOR YEAR: (Continued)

The Sheriff's 1999 Tax Account Net Payables of \$85,806 Was Excessive (Continued)

All payments were properly made in August 2000 subsequent to our audit fieldwork. The errors occurred because the November 1999 SACS report provided to the Sheriff by the Revenue Cabinet could not accommodate the growth of tax collections in this rapidly expanding county. The amount of the error could not be determined until final settlement. KRS 134.300 and KRS 134.320 require accurate reporting and payment of monthly tax collections by tenth day of each month for the preceding month.

*Sheriff's Response:*

*The Sheriff agrees with the final settlement liability amounts and will effect payment during August 2000. Further, the Sheriff has purchased a new custom tax collection and reporting system for use during tax year 2001, and subsequent collection periods. The new system is designed to allow for the growth in collections. The Revenue Cabinet has waived the penalty normally associated with late payments.*

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Bullitt County Sheriff's Settlement - 2000 Taxes as of April 27, 2001, and have issued our report thereon dated December 13, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bullitt County Sheriff's Settlement - 2000 Taxes as of April 27, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The Sheriff Did Not Have A County Revenue Bond

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bullitt County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
December 13, 2001

